GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1073
ANSWERED ON:29.04.2016
Loan Defaulters
Chavan Shri Ashok Shankarrao;Gaikwad Dr. Sunil Baliram;Gupta Shri Sudheer;Kirtikar Shri Gajanan Chandrakant;Mahato Shri Bidyut Baran;S.R. Shri Vijay Kumar;Singh Shri Kunwar Haribansh

Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India (SEBI) have decided to bar companies which have been declared wilful loan defaulters along with their promoters and directors from accessing stock or bond markets for raising funds in a bid to choke fund flow to the entire group with a common owner;

(b) if so, whether the SEBI has also decided that wilful defaulters will also be barred from taking over another listed company;

(c) if so, the details thereof;

(d) whether SEBI also proposes norms requiring companies to disclose if the bank loans extended to them have been classified as Non-Performing Assets (NPAs); and

(e) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a), (b) and (c): The Securities and Exchange Board of India (SEBI) has informed that with the objective of restricting access of such wilful defaulters to capital markets for raising funds from the public, the following proposals have been approved by SEBI Board in the meeting held on March 12, 2016:

1. No issuer shall make a public issue of equity securities / debt securities / non-convertible redeemable preference shares, if the issuer company or its promoter or its director is in the list of the wilful defaulters.

2. If the issuer company or its promoter or its director is in the list of the wilful defaulters, such entity may come out with rights issue with adequate disclosures in the offer document while ensuring that the promoter(s) or promoter group of the issuer, shall not renounce their rights except to the extent of renunciation within the promoter group.

3. If the issuer company or its promoter or its director is in the list of the wilful defaulters, such entities may raise money through private placement of equity or debt securities to qualified institutional buyers, while ensuring adequate disclosures in the explanatory statement.

4. Any company or its promoter or its director categorized as wilful defaulter may not be allowed to take control over other listed entity. However, if a listed company or its promoter or its director is categorized as wilful defaulter, and there is a take-over offer in respect of the listed company, they may be allowed to make competing offer for the said listed company in accordance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(d): No, Madam. SEBI has not proposed any norms requiring companies to disclose if the bank loans extended to them have been classified as Non-Performing Assets (NPAs).

(e): Does not arise in view of reply to (d) above.

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